

Message Text

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PAGE 01 LAGOS 04645 131313Z
ACTION AF-10

INFO OCT-01 ISO-00 AID-05 EB-08 PM-05 DODE-00 /029 W
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P R 131222Z APR 78
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC PRIORITY 7854
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INFO AMEMBASSY BONN
AMCONSUL IBADAN
AMCONSUL KADUNA

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FOR AF/W AND U.S. ARMY COE, LT. COL. ROBERT RYAN; ALSO FOR AID

E.O. 11652: N/A
TAGS: EAID, EWWT, ENGR, BENC, BPRO, NI
SUBJECT: CORPS OF ENGINEERS PROPOSAL

REF: (A) LAGOS 3923 AND PREVIOUS (NOTAL, (B) LAGOS 3460
(C) STATE 77287

1. SINCE PRESIDENT CARTER IN HIS MAJOR LAGOS SPEECH MENTIONED
CORPS OF ENGINEERS (COE) PROPOSAL FOR COMPREHENSIVE DEVELOPMENT OF
NIGER RIVER SYSTEM, THE SUBJECT HAS BEEN MENTIONED FAVORABLY AND
OFTEN IN THE PRESS, KEEPING IT IN SPOTLIGHT AND PROBABLY CREATING
EXPECTATIONS OF RAPID AND VISIBLE PROGRESS. THE SUBJECT COULD
BECOME A TOPIC FOR THE US-NIGERIAN ECONOMIC BILATERALS LATE
APRIL.

2. EMBOFF DELIVERED ADDITIONAL COPIES OF PROPOSAL VOLUME ONE
AND ONE COPY OF VOLUME TWO TO OFFICE OF INLAND WATERWAYS
DIRECTOR ANYAOKU, WHO IS EXPECTED TO RETURN FROM HAMBURG
VISIT THIS WEEK. COPY ALSO SENT TO MINISTRY OF ECONOMIC
DEVELOPMENT.

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3. KEY OFFICIAL UNDER ANYAOKU IS MR. L. ZEMPLENYI, ASSISTANT
DIRECTOR FOR HYDROLOGICAL RESOURCES, A LANKY, PLEASANT HUNGARIAN
WHO HAS BEEN WITH MINISTRY OF TRANSPORT FOR NINE YEARS, EIGHT
OF THEM AT LOKOJA (NIGER-BENUE CONFLUENCE), WHERE WE UNDERSTAND
HE ADJUSTED QUITE WELL. HE TOLD EMBOFF THAT HE REVIEWED COE
PROPOSAL FOR ANYAOKU AND IT AND NIGER RIVER PORT AND SHIPPING

STUDY BY SHIPTRACO, DUISBURG SUBSIDIARY OF FRIEDRICH KRUPP GMBH, ESSEN, WOULD BE EVALUATED BY INLAND WATERWAYS LAST WEEK IN APRIL. RECOMMENDATIONS WOULD GO UP TO MINISTRY OF TRANSPORT, WHICH MAY OR MAY NOT REFER THEM HIGHER.

4. IN RESPONSE TO QUESTIONS SENT EMBASSY BY COE, ZEMPLENYI CONFIRMED THAT SHIPTRACO CONTRACT WAS TO IDENTIFY LOCATION AND SCOPE NIGER RIVER PORTS AND TO ESTIMATE SHIPPING VOLUME USING THEM. HE POINTED TO THREE VERY THICK VOLUMES WHICH HE SAID WERE DRAFT REPORT; FINAL REPORT EXPECTED BY LAST WEEK OF APRIL. REPORT WILL FORM BASIS OF TENDERS TO BE ISSUED FOR PORT CONSTRUCTION. (EMBOFF CURRENTLY IN EAST MAY OBTAIN MORE ON THIS IF HE SUCCEEDS IN CONTACTING CENTRAL WATER TRANSPORTATION CO. GENERAL MANAGER OLISEMEKA. SEE 77 LAGOS 11495 FOR MORE ON OLISEMEKA AND SHIPTRACO.)

5. ZEMPLENYI HAD TWO PROBLEMS WITH PROPOSAL:
A. INCULSION OF MINISTRY OF ECONOMIC DEVELOPMENT COMPLICATES IT FROM INLAND WATERWAYS POINT OF VIEW.
B. PRICE OF DOLS 23 MILLION IS HIGH, HIGHER THAN NIGER RIVER DREDGING CONTRACT OF ABOUT DOLS 19 MILLION (12 MILLION NAIRA) AWARDED DUTCH FIRM OF NEDECO, WHICH COE WOULD SUPERVISE.

6. ASSESSMENT OF THESE PROBLEMS MUST AWAIT CALL ON ANYAOKU BUT WE RECOMMEND COE CONSIDER FALLBACK POSITIONS. DISCUSSING FINANCING, ZEMPLENYI VOLUNTEERED THAT QUOTE ONE CAN GET ANYTHING LIMITED OFFICIAL USE

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IN RETURN FOR OIL UNQUOTE, PLAINLY HINTING WE SHOULD CONSIDER PAYMENT IN CRUDE OIL, AS EMBASSY RECOMMENDED REF B AND DEPARTMENT DISCOURAGED REF C. HE ALSO SAID NIGERIANS DO NOT REPEAT NOT SEEK LOANS BUT WOULD WELCOME CREDITS.

7. ACTION REQUESTED:
A. COE SHOULD REVIEW POINTS PARAS 5 AND 6 WITH VIEW TO ALTERING PROPOSAL TO MEET ANYAOKU'S VIEWS WHEN KNOWN, IF ALTERNATION NECESSARY AND POSSIBLE. COE MIGHT ALSO CONSIDER SENDING REPRESENTATIVE EMPOWERED TO REVISE PROPOSAL TO LAGOS LATE APRIL IF THIS SEEMS APPROPRIATE.
B. DEPARTMENT SHOULD AGAIN REVIEW PAYMENT IN OIL. ZEMPLENYI'S SUGGESTION WAS SPONTANEOUS AND NOT PROPTED BY EMBOFF. AMERICAN CONSTRUCTION COMPANY HERE INFORMED US FEW DAYS AGO IT HAD ADOPTED EMBOFFS SUGGESTION IT OFFER TO TAKE PAYMENT IN OIL, FOUND A TAKER FOR THE OIL AND BID RECENT TENDER ON THAT BASIS. AS LAGOS 4516 POINTS OUT, NIGERIAN NATIONAL PETROLEUM CO. FINDING IT INCREASINGLY DIFFICULT TO SELL OIL AND WOULD WELCOME GOOD WILL GESTURE. WE SEE NO INSUPERABLE POLICY COMPLICATIONS AND BELIEVE SUCH METHOD ACTUALLY OFFERS MORE RAPID PAYMENT THAN CASH DEAL. COE MIGHT CONSIDER ARRANGEMENT WHEREBY IT

WOULD ACCEPT FMG NOTE WHICH IT COULD SELL TO PRIVATE PARTY
WHICH WOULD TAKE PAYMENT IN OIL, IF THAT WOULD AVOID CREATING
PRECEDENT OTHER POEC COUNTRIES MIGHT DEMAND.

C. USDOC MEPD: PARA 4 IS EARLY WARNING OF RIVER PORT TENDERS.
PLEASE ALERT QUALIFIED FIRMS, NOTING THAT HIGHLY SUCCESSFUL
GERMAN CONSTRUCTION FIRM OF JULIUS BERGER WORKED WITH SHIPTRACO
ON THIS PROJECT.
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